

## Message Text

LIMITED OFFICIAL USE

PAGE 01 VIENNA 05343 01 OF 02 121726Z

ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 XMB-02 FAA-00 DOTE-00 PM-05

DODE-00 CIAE-00 INR-10 NSAE-00 TRSE-00 /038 W

-----033774 121852Z /42

R 121702Z JUN 78

FM AMEMBASSY VIENNA

TO USDOC WASHDC

INFO SECSTATE WASHDC 6759

FAA BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 02 VIENNA 05343

USDOC FOR SIPS; ALSO PLEASE PASS TO EXIMBANK

E.O. 11652: N/A

TAGS: BEXP, EAIR, AU

SUBJECT: PRODUCT SALES OPPORTUNITY: JOINT CIVIL/MILITARY

AIR TRAFFIC CONTROL (ATC) AND AIR SURVEILLANCE SYSTEM

REF: 77 VIENNA 10218 (NOTAL) AND PREVIOUS

1. AUSTRIAN TRANSPORT MINISTRY HAS FINALLY SELECTED THE FIRM WHICH WILL SUPPLY BOTH THE DISPLAY UNITS (ODS) AND THE ATC'S CENTRAL PROCESSING UNIT (CPU). THE WINNER OF THIS LONG-FOUGHT CONTEST IS PLESSY OF UK, WHICH WILL RECEIVE CONTRACT ESTIMATED TO BE ABOUT US \$16 MILLION. AS DEPARTMENT IS AWARE, SPERRY-UNIVAC WAS THE ONLY U.S. COMPETITOR FOR THIS LAST PHASE OF THE TENDER, AND THIS EMBASSY HAS IN NUMEROUS WAYS SUPPORTED ITT/SANDERS ASSOCIATES IN ITS EARLIER BID FOR THE ODS PORTION, AND THEN SPERRY-UNIVAC FOR THE COMBINED ODS/CPU PACKAGE. NOW THAT THE DUST HAS SETTLED, WE OFFER THIS POST-MORTEM SO THAT WE AND COMMERCE CAN CLOSE OUR BOOKS ON THIS ONE.

2. BACKGROUND: THROUGHOUT THE LIFE OF THIS MAJOR SALES

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 VIENNA 05343 01 OF 02 121726Z

OPPORTUNITY, THE EMBASSY HAS MAINTAINED CLOSE AND CONSTANT CONTACT WITH U.S. BIDDERS. TOWARDS THE END OF 1977, WHEN IT APPEARED THAT OUR BIDDERS WERE NOT RECEIVING DUE CONSIDERATION FOR THEIR PROPOSALS, WE MOUNTED A CONCERTED EFFORT AND EXPLORED A NUMBER OF NEW AVENUES, INCLUDING EXIM BANK OFFER OF FINANCING AND FAA LETTER OF SUPPORT. ON DECEMBER 2, DCM CALLED ON

PRESIDENT OF AUSTRIAN CIVIL AVIATION AUTHORITY (BAZ) TO EXPRESS CONCERN THAT U.S. PROPOSALS MIGHT NOT BE RECEIVING FAIR CONSIDERATION. THIS WAS FOLLOWED ON DECEMBER 13, BY VISIT OF AMBASSADOR TO TRANSPORT MINISTER LAUSECKER, ALONG THE SAME LINES. APPARENTLY AS A RESULT OF LATTER DISCUSSION, LAUSECKER INSTRUCTED HIS STAFF TO REVIEW ALL PROPOSALS. IN FEBRUARY, MINISTRY DECIDED TO PROCEED WITH EVALUATION OF OFFERS, BUT BASED ON COMBINED ODS/CPU PACKAGE, WHICH SPERRY-UNIVAC WAS ABLE TO OFFER IN PARTNERSHIP WITH STAN-SAAB (FOR ODS). BY THIS TIME, THE BAZ HAD LONG ELIMINATED ITT/SANDERS ON GROUNDS THAT LATTER FIRM'S DISPLAY UNITS WERE NOT THE TYPE SOUGHT. FROM FEBRUARY TO EARLY MAY, THE BAZ CONTINUED TO EXAMINE THE PROPOSALS OF SPERRY-UNIVAC, THOMPSON-CSF (FRANCE), PLESSY (UK), STAN-SAAB (SWEDEN) AND PHILIPS (HOLLAND). DURING THIS PERIOD ALSO, SPERRY-UNIVAC WERE IN CONSTANT TOUCH WITH BAZ AND MINISTRY OFFICIALS, AND IT APPEARED THAT THE U.S. FIRM'S CHANCES WERE GOOD AND GETTING BETTER.

3. THE DECISION: ON MAY 5, ABOUT TWO MONTHS BEHIND SCHEDULE, THE BAZ SUBMITTED ITS RECOMMENDATIONS TO MINISTER LAUSECKER. THESE, HOWEVER, PRESENTED THE MINISTER WITH NO CLEAR-CUT SELECTION OF A PARTICULAR BIDDER, BUT RATHER A CHOICE OF ALTERNATIVES. ACCORDING TO SPERRY-UNIVAC OFFICIALS, THE CHOICE OF TECHNOLOGY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 VIENNA 05343 01 OF 02 121726Z

WAS ESSENTIALLY ONE BETWEEN THE U.S. FIRM'S FIVE-COMPUTER SYSTEM AND THE THREE-COMPUTER CONCEPT PROPOSED BY THE WEST EUROPEAN BIDDERS. WE UNDERSTAND THAT NONE OF THE BAZ PROJECT TEAM MEMBERS OR OTHER OFFICIALS INVOLVED WERE WILLING TO COMMIT THEMSELVES TO THE SELECTION OF ANY ONE BIDDER FOR FEAR THAT THEIR SUPERIORS MIGHT ALREADY HAVE OTHER VIEWS. THE UPSHOT WAS THAT LAUSECKER TOOK THE BAZ STUDY HOME WITH HIM OVER THE MAY 13 WEEKEND. WHEN HE RETURNED ON MONDAY MORNING HE ANNOUNCED THAT HE WAS AWARDING THE CONTRACT TO PLESSY.

4. FACTORS IN THE DECISION: SPERRY-UNIVAC OFFICIALS ARE DISAPPOINTED BUT NOT BITTER OVER THE LOSS. ACCORDING TO THESE, THE DECISION WAS UNBIASED AND TAKEN ON THE BASIS OF REASONABLE ECONOMIC AND TECHNICAL CRITERIA. THE FIRST OF THESE WAS PRICE. PLESSY APPARENTLY BID \$16 MILLION, OR ABOUT 10 PERCENT LESS THAN SPERRY-UNIVAC'S \$17.7 MILLION. SECONDLY, PLESSY'S DISPLAY UNITS, UTILIZING THE LATEST TECHNOLOGY (VAX) IN DECK HARDWARE, WERE RATED SUPERIOR THAN THOSE OF PHILIPS, WHICH LATER BECAME SPERRY-UNIVAC'S PARTNER FOR THE SUPPLY OF THE ODS.

A THIRD CONSIDERATION---BUT ONE WITH POLITICAL OVERTONES--  
WAS THE FACT THAT PLESSY WAS ALLIED WITH ELIN UNION, A  
LARGE AND INFLUENTIAL AUSTRIAN MANUFACTURER WHICH WILL  
PROVIDE 80 PERCENT OF THE SOFTWARE FOR THE PROJECT. ELIN,  
INTERESTINGLY, WAS ALSO THE FIRM WHICH DREW UP THE  
SPECIFICATIONS AND WAS INDIRECTLY INVOLVED---VIA THE LOAN  
OF SOME EMPLOYEES TO THE BAZ PROJECT TEAM---IN THE  
EVALUATION OF OFFERS. IN FURTHER ANALYZING THE REASONS  
FOR THEIR DEFEAT, UNIVAC OFFICIALS BELIEVE THEY WOULD  
HAVE HAD A CHANCE TO WIN IF THEIR OFFER HAD BEEN AT

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 VIENNA 05343 02 OF 02 121733Z

ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 XMB-02 FAA-00 DOTE-00 PM-05

DODE-00 CIAE-00 INR-10 NSAE-00 TRSE-00 /038 W

-----033819 121851Z /46

R 121702Z JUN 78

FM AMEMBASSY VIENNA

TO USDOC WASHDC

INFO SECSTATE WASHDC 6760

FAA BRUSSELS

LIMITED OFFICIAL USE SECTION 02 OF 02 VIENNA 05343

USDOC FOR SIPS; ALSO PLEASE PASS TO EXIMBANK

LEAST EQUAL IN PRICE TO THAT OF PLESSY. ACCORDING TO  
LOCAL UNIVAC REPS, REPORTS VARIED CONSIDERABLY IN PAST  
MONTHS AS TO WHETHER FIRM WAS HIGHER OR LOWER IN PRICE  
THAN COMPETITORS AFTER QUOTE TECHNICAL CLARIFICATION  
UNQUOTE (SEE BELOW) HAD BEEN SORTED OUT. THESE REPS  
TELL US THAT UNIVAC COULD HAVE CUT ITS PRICES EVEN  
FURTHER AND STILL TURNED SOME PROFIT, BUT ONLY THE FIRM'S  
TOP MANAGEMENT COULD HAVE MADE THIS DECISION; THIS,  
HOWEVER, WAS NOT CONSIDERED.

5. THERE IS ONLY ONE POINT, ACCORDING TO UNIVAC REPS,  
ON WHICH AUSTRIAN OFFICIALS MIGHT BE FAULTED FOR LACK OF  
COMPLETE IMPARTIALITY. DURING LAST FEW MONTHS, AUTHOR-  
ITIES INVITED VARIOUS BIDDERS TO SUBMIT TECHNICAL  
CLARIFICATIONS REGARDING OPTIONS IN THEIR PROPOSALS.  
DISCUSSIONS TOOK PLACE ON THE DELETION OR ADDITION OF  
OPTIONAL EQUIPMENT, AND ON EQUIVALENT PRICE CHANGES IN

PROPOSALS. UNIVAC SUSPECTS IT DID NOT RECEIVE ADEQUATE OPPORTUNITY TO MAKE CHANGES IN ITS OWN PROPOSALS IN ACCORDANCE WITH GOA INTERESTS, POSSIBLY ALLOWING THE FIRM'S COMPETITORS TO REDUCE THEIR ORIGINAL PRICES IN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 VIENNA 05343 02 OF 02 121733Z

THIS WAY.

6. COMMENT: IT WOULD BE DIFFICULT TO CRITICIZE SPERRY-UNIVAC FOR ITS FAILURE TO WIN THIS CONTRACT. THE FIRM'S REPS, BOTH AUSTRIAN AND AMERICAN, DISPLAYED CONSIDERABLE COMPETENCE, TACT AND PROFESSIONALISM IN THEIR DEALINGS WITH AUSTRIAN AUTHORITIES. A COMPANY EXPERT WAS PRESENT IN VIENNA AT ALL TIMES DURING THE PAST MONTHS, AND UNIVAC HAS TRIED A NUMBER OF NEW INCENTIVES---E.G. ARTICLES IN THE LOCAL PRESS ON LATEST DEVELOPMENTS IN U.S. ATC SYSTEMS, AND PROPOSALS TO ASSIST AUSTRIA TO BECOME A FOCAL POINT FOR CIVAIR TECHNOLOGY---TO GAIN SUPPORT FOR ITS BID.

7. AS A FINAL NOTE, AS WE CLOSE OUR FILES ON THIS PROJECT WE CAN ONLY REGRET THAT (AS FAR AS WE CAN DETERMINE) U.S. SUPPLIERS ACCOUNTED FOR ONLY ABOUT \$1 MILLION OF THE APPROXIMATELY \$96 MILLION IN GOODS AND SERVICES WHICH THE CIVIL AVIATION PORTION OF THIS PROJECT WILL COST. WE UNDERSTAND THAT THE ONLY U.S. SUPPLIER TO MAKE A SALE WAS DIGITAL EQUIPMENT CORP., WHICH IS SUPPLYING PLESSY WITH SOME OF THE COMPONENTS REQUIRED. WOLF

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ELECTRONIC EQUIPMENT, SURVEILLANCE, MILITARY SALES, AIR TRAFFIC CONTROL, NAVIGATIONAL AIDS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978VIENNA05343  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780245-0666  
**Format:** TEL  
**From:** VIENNA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780668/aaaacgix.tel  
**Line Count:** 202  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 7437d18a-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 VIENNA 10218  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2382522  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PRODUCT SALES OPPORTUNITY: JOINT CIVIL/MILITARY AIR TRAFFIC CONTROL (ATC) AND AIR SURVEILLANCE SYSTEM  
**TAGS:** BEXP, EAIR, AU, US  
**To:** COM  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/7437d18a-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014